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June 3, 2004

VIA COURIER

FCC/MELLON

JUN 03 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
Wireline Competition Bureau – CPD – 214 Appls.
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: *Application of PAETEC Communications, Inc., Transferee, and Covista, Inc.,
Covista of New York, Inc., and Capsule Communications, Inc., Transferees, for
International and Domestic Section 214 Authority to Transfer Certain Assets and
Long Distance Customers in Selected States*

Dear Ms. Dortch:


On behalf of PAETEC Communications, Inc. ("PAETEC") and Covista, Inc., Covista of New York, Inc., and Capsule Communications, Inc. (collectively, the "Covista Companies," together with PAETEC, "Applicants"), please find an original and six (6) copies of an application for Section 214 authority for the Covista Companies to transfer to PAETEC certain assets located in New Jersey, New York and Pennsylvania, including certain domestic and international long distance customer accounts served by the Covista Companies in these states. The proposed asset transfer involves neither a transfer of control of the Covista Companies nor an assignment of their international section 214 authorizations.

Also enclosed is a check in the amount of \$860.00, payable to the FCC, which satisfies the filing fee required for this application. Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided.

Pursuant to Section 63.04(b) of the Commission's rules, Applicants submit this filing as a combined international section 214 transfer of control application and domestic section 214 transfer of control application ("Combined Application"). Applicants are simultaneously filing the Combined Application with the International Bureau, in accordance with the Commission's rules.

Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Grace R. Chiu

Counsel for PAETEC Communications, Inc.

Enclosures

cc via email:

Bill Dever (WCB)
Tracey Wilson (WCB)
Frank Pazera (Covista, Capsule)
Lance J.M. Steinhart (for Covista, Capsule)
Mary O'Connell (PAETEC)
JT Ambrosi (PAETEC)
Troy Tanner

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of the Application of)

PAETEC COMMUNICATIONS, INC.,)
Transferee,)

and)

COVISTA, INC.,)
COVISTA OF YORK, INC. and)
CAPSULE COMMUNICATIONS, INC.)
Transferors,)

For International and Domestic Section 214)
Authority To Transfer Certain Assets and)
Long Distance Customers in Selected States)

File No. ITC-T/C-2004 _____

WC Docket No. 04- _____

I. INTRODUCTION

PAETEC Communications, Inc. ("PAETEC" or "Transferee") and Covista, Inc. ("Covista"), Covista of New York, Inc. ("Covista-NY"), and Capsule Communications, Inc. ("Capsule") (Covista, Covista-NY, and Capsule, together, the "Covista Companies" or "Transferors," and each a "Transferor") (PAETEC and the Covista Companies, together, "Applicants"), by the undersigned counsel, hereby request authority pursuant to Section 214 of the Communications Act of 1934, as amended,¹ and Sections 63.04(b) and 63.24(e) of the Commission's Rules,² for the Covista Companies to transfer to PAETEC certain telecommunications assets located in New Jersey, New York and Pennsylvania (the "COVISTA Assets"), including certain commercial domestic and international long distance customers served by Covista and Covista-NY in these states. The proposed asset transfer involves neither a

¹ 47 U.S.C. § 214.

² 47 C.F.R. §§ 63.04(b), 63.24(e).

transfer of control of the Covista Companies nor an assignment of their international Section 214 authorizations.

PAETEC is a communications solutions provider offering broadband services, including advanced voice and video, enhanced data and communications management services to medium-sized and large businesses, educational institutions, governmental organizations and other entities in 27 U.S. markets. The Covista Companies offer facilities-based and/or resold local and long distance telecommunications, Internet and data services to retail and wholesale customers principally in the Northeast region of the United States.

II. INFORMATION REQUIRED UNDER SECTIONS 63.04(b) AND 63.24(e)

In support of this Application, Applicants submit the following information pursuant to Sections 63.04(b) and 63.24(e) of the Commission's rules.³

A. Information Required By Section 63.18(a) through (d), and (h) through (p):

(1) 63.18(a) -- Name, address and telephone number of each applicant.

Transferee: PAETEC Communications, Inc. FRN: 0011017795
One PAETEC Plaza
600 Willowbrook Office Park
Fairport, NY 14450
Tel: (877) 472-3832
Fax: (585) 340-2801

Transferors: Covista, Inc. FRN: 0004337184
721 Broad Street
Chattanooga, TN 37402
Tel: (423) 648-9500
Fax: (423) 648-9705

Covista of New York, Inc. FRN: 0004372371
721 Broad Street
Chattanooga, TN 37402
Tel: (423) 648-9500
Fax: (423) 648-9705

³ 47 C.F.R. §§ 63.04(b), 63.24(e).

Capsule Communications, Inc. FRN: 0003794237
721 Broad Street
Chattanooga, TN 37402
Tel: (423) 648-9500
Fax: (423) 648-9705

(2) 63.18(b) -- State of organization.

Transferee: PAETEC is organized under the laws of the State of Delaware.

Transferors: Both Covista and Covista-NY are organized under the laws of the State of New Jersey.

Capsule is organized under the laws of the State of Delaware.

(3) 63.18(c) -- Contact person for this Application.

Correspondence and communications concerning this Application should be directed to Applicants' respective counsel of record:

For Transferee:

Grace R. Chiu
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Tel: (202) 424-7500
Fax: (202) 424-7647
Email: GRChiu@swidlaw.com

For Transferors:

Lance J.M. Steinhart
Lance J.M. Steinhart, P.C.
1720 Windward Concourse, Suite 250
Alpharetta, GA 30005
Tel: (770) 232-9200
Fax: (678) 775-1194
Email: LSteinhart@telecomcounsel.com

(4) 63.18(d) -- International Section 214 Authorizations.

Transferee: PAETEC is authorized to operate as a facilities-based and resale carrier of international services pursuant to a Section 214 authorization granted by the Commission in File No. ITC-214-19980925-00658, DA No. 98-2313 (Nov. 6, 1996).

Transferors: Covista is authorized to operate as a facilities-based and resale carrier of international services pursuant to a Section 214 authorization granted by the Commission in File No. ITC-214-19981023-00834, DA No. 03-765 (Jan. 20, 1999).⁴

Capsule is authorized to operate as a resale carrier of international services pursuant to Section 214 authorization granted by the Commission in File No. ITC-91-186, DA 91-1237 (rel. Oct. 8, 1991).⁵

(5) 63.18(h) -- Ownership of Transferee.

The following persons and entities directly or indirectly own ten percent (10%) or more of the equity of Transferee:

Name:	PAETEC Corp.
Address:	One PAETEC Plaza 600 Willowbrook Office Park Fairport, NY 14450
Citizenship:	U.S.A.
Percentage Owned:	100%
Principal Business:	Holding company

⁴ Covista's parent, Covista Communications, Inc. ("CCI") (f/k/a TotalTel USA Communications, Inc.), was granted resold and facilities-based international section 214 authority in ITC File No. 214-19961009-00508 (Nov. 29, 1996).

⁵ Capsule's parent, CCI, also holds an international Section 214 authorization. See footnote 4, *supra*.

(5) 63.18(h) -- Ownership of Transferee (cont'd)

The following entities directly own ten percent (10%) or more of the equity of PAETEC Corp.:

Name: Madison Dearborn Capital Partners III, L.P.
Address: Three First National Plaza
Suite 3800
Chicago, IL 50502
Citizenship: U.S.A.
Percentage Owned: 19.8⁶
Principal Business: Equity investment

Name: Blackstone CCC Capital Partners, L.P.
Address: 345 Park Avenue
31st Floor
New York, NY 10154
Citizenship: U.S.A.
Percentage Owned: 14.1⁷
Principal Business: Equity investment

No other person or entity directly or indirectly owns ten percent (10%) or more of the equity of PAETEC, the Transferee.

Notwithstanding the foregoing disclosures, PAETEC also reports that the following individual controls PAETEC Corp. by virtue of super-voting rights associated with the class of PAETEC Corp. stock he holds, although his equity ownership interest in PAETEC Corp. is less than ten percent (10%).

Name: Arunas A. Chesonis
Address: 18 Buckthorn Run
Victor, NY 14564
Citizenship: U.S.A.
Percentage Owned: 5%
Principal Business: Individual

(6) 63.18(i) -- Foreign Affiliations. PAETEC certifies that it is not, and is not affiliated with, a foreign carrier.

⁶ 0.4% of the 19.8% is held by a related fund, Madison Dearborn Special Equity III, L.P.

⁷ 2.8% of the 14.1% is held by related funds; specifically, 2.0% is held by Blackstone CCC Offshore Capital Partners L.P. and 0.8% is held by Blackstone Family Investment Partnership III, L.P.

- (7) 63.18(j) -- PAETEC certifies that it does not seek to provide international telecommunications services to any destination country for which any of the statements set forth in paragraphs (j)(1)-(4) of Section 63.18 of the Commission's Rules is true.
- (8) Section 63.18(k) is not applicable.
- (9) Section 63.18(l) is not applicable.
- (10) Section 63.18(m) is not applicable.
- (11) 63.18(n) – No special concessions. PAETEC certifies that it has not agreed to accept special concessions, as defined in Section 63.14(b) of the Commission's Rules, directly or indirectly, from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route, and will not enter into such agreements in the future.
- (12) 63.18(o) – Certification. PAETEC certifies pursuant to Sections 1.2001 through 1.2003 of the Commission's rules that it is not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 3301.
- (13) 63.18(p) – Streamlined processing. Applicants submit that this Application qualifies for streamlined processing pursuant to Section 63.12 of the Commission's rules because PAETEC is not affiliated with either a foreign carrier or a dominant U.S. carrier whose international switched or private line services PAETEC seeks authority to resell, and PAETEC does not seek authority to provide switched basic services over private lines to a country for which the Commission has not previously authorized the provision of such services over private lines.

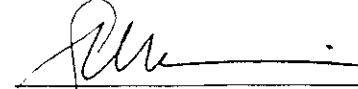
B. Information Required By Section 63.04(b)

Attached hereto as **Attachment 1** is the additional information required under paragraphs (a)(6) through (a)(12) of Section 63.04 of the Commission's rules.

III. CONCLUSION

Wherefore, for the reasons stated herein, Applicants respectfully submit that the public interest, convenience and necessity would be furthered by grant of this Application for international and domestic Section 214 authority for the Covista Companies to transfer to PAETEC the assets and customer base described herein.

Respectfully submitted,



Troy F. Tanner

Grace R. Chiu

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Washington, D.C. 20007

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Fax: (202) 424-7645

Counsel to

PAETEC COMMUNICATIONS, INC.

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1720 Windward Concourse, Suite 250

Alpharetta, GA 30005

Tel: (770) 232-9200

Fax: (678) 775-1194

Counsel to

The **COVISTA COMPANIES**

Dated: June 3, 2004

LIST OF ATTACHMENTS

**ATTACHMENT 1 Additional Information Required under Section 63.04(a)(6)
through (a)(12)**

CERTIFICATION OF TRANSFEREE

CERTIFICATION OF TRANSFERORS

ATTACHMENT 1

**Additional Information Required under Section 63.04(a)(6) through (a)(12)
For a Domestic Section 214 Asset Transfer Application**

(a)(6) Description of the transaction.

Applicants request Commission approval for the Covista Companies to transfer to PAETEC certain assets and a portion of their commercial long distance customer base. The assets are located in New Jersey, New York and Pennsylvania. The affected customers are served in the same three states.

(a)(7) Description of geographic areas served by Applicants and their affiliates.

Transferee: PAETEC offers local and long distance services in New Jersey, New York and Pennsylvania.

Transferors: Covista offers local and long distance services in New Jersey and Pennsylvania.

Covista-NY offers local and long distance services in New York.

Capsule does not currently offer service in any geographic markets.

(a)(8) Streamlined Treatment.

Applicants respectfully submit this Application qualifies for streamlined treatment because none of the applicants is dominant with respect to any service and the market presence of Transferee following the transfer of assets will be less than 10 percent. Consequently, the proposed asset transfer has no potential to result in harm to the public interest.

(a)(9) Related Applications.

Other than the international Section 214 portion of this Application, no other FCC applications relate to the transaction that is the subject of this Application.

(a)(10) Special Consideration.

Applicants anticipate that the asset transfer described herein will take place on or about August 1, 2004, and therefore respectfully request that this Application be placed on public notice no later than June 10, 2004.

Applicants are not requesting special consideration of this Application because any is facing imminent business failure.

(a)(11) Waiver Requests.

No waiver requests have been filed in conjunction with this transaction.

(a)(12) Statement of Public Interest.

Grant of this Application will serve the public interest, convenience and necessity by promoting competition among telecommunications carriers. Specifically, approval of the proposed asset transfer will enable PAETEC to strengthen its competitive presence in the New Jersey, New York and Pennsylvania markets and to concentrate its resources and expertise on providing innovative and diversified service offerings to consumers in these markets. These enhancements will inure directly to the benefit of affected customers of Covista and Covista-NY, as well as indirectly to consumers generally in the telecommunications marketplace.

CERTIFICATION

On behalf of PAETEC Communications, Inc. (the "Transferee"), I hereby certify that I am authorized to make this Certification on behalf of the Transferee; that I have read the foregoing Joint Application for International and Domestic Section 214 Authority ("Application") and know the contents thereof; and that the statements in the foregoing Application are true, complete, and correct to the best of my knowledge and are made in good faith.

PAETEC Communications, Inc.

By: _____

Daniel J. Venuti

Executive Vice President and General Counsel

Dated: May 28, 2004

CERTIFICATION

On behalf of Covista, Inc., Covista of New York, Inc. and Capsule Communications, Inc. (the "Transferors"), I hereby certify that I am authorized to make this Certification on behalf of the Transferors; that I have read the foregoing Joint Application for International and Domestic Section 214 Authority ("Application") and know the contents thereof; and that the statements in the foregoing Application are true, complete, and correct to the best of my knowledge and are made in good faith.

Covista Communications, Inc.

By: 

John Leach

President and Chief Executive Officer

Dated: June 2, 2004